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Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana,
Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences,
University of Illinois at Urbana-Champaign.

CORN AND SOYBEAN CONSUMPTION REMAINS LARGE

For the next several weeks the corn and soybean markets will be reacting mostly to production prospects in the U.S. and China. However, the rate of consumption of the 2000 U.S. crops will continue to be of some concern, particularly the rate of exports. There is more than one source of export estimates, but the Census Bureau figures are the estimates carried in the USDA's annual balance sheet of supply and use. During the marketing year, there is often some differences in the export estimates from the various sources for a variety of reasons.

Based on the USDA's weekly *U.S. Export Sales* report, corn exports through June 14 this year totaled 1.385 billion bushels, down from 1.507 by the same date last year. The USDA weekly export inspection figures were very close to those totals for both years. Last year, the estimates from the Census Bureau and the USDA were very similar. For the current year, Census Bureau export estimates are available through April 2000. The total exports through April were about 30 million bushels larger than reflected in the weekly USDA reports and only 45 million less than cumulative exports of a year ago. If that pattern continues, exports for the year appear more likely to reach the current USDA projection of 1.85 billion bushels than implied by the weekly export inspection figures. The key will likely be the rate of shipments to Japan and South Korea. The recent increase in the pace of sales to both of those countries is encouraging.

For soybeans, the USDA's *U.S. Export Sales* report and the export inspections report show shipments as of June 14 near 906 million bushels, about 50 million more than on the same date last year. Through April, however, the Census Bureau estimates of cumulative soybean exports were running about 12 million bushels behind the USDA estimates. This is not an uncommon pattern. Last year, for example, the Census Bureau estimate of soybean exports for the entire marketing year was 17 million bushels less than the estimate based on USDA inspection figures.

With 10 weeks left in the current marketing year, weekly shipments of soybeans will need to average about 9 million bushels per week to reach the current projection of 995 million for the year, assuming the difference between USDA and Census Bureau estimates continue through August. The magnitude of purchases by China will be most important in judging if 995 million bushels will be reached.

As outlined in last week's issue, the rate of domestic use of corn through May will be revealed in the June *Grain Stocks* report. Prospects for feed and residual use of corn and for feed use of soybean meal during the last quarter of the year got a little boost from last week's USDA *Cattle on Feed* report. That report showed a continued rapid placement of cattle into the feedlots. Placements in May were 3 percent larger than in May 2000. As a result, the June 1 feed lot inventory was 2 percent larger than on June 1, 2000. Domestic use of corn for ethanol will apparently proceed fairly rapidly, as a number of states are moving to subsidize investment in production facilities.

Most observers are optimistic about the rate of consumption of U.S. corn and soybean crops over the next year, in spite of significant competition from South America. Stocks are not accumulating significantly in light of such large production levels over the past five years. Still, prices remain at extremely low levels, with corn futures trading to new contract lows. The market believes that recent weather conditions may have improved overall crop condition ratings. The National Weather Service forecasts of weather patterns through the summer are also generally favorable for corn and soybean crop development. Prospects for a sixth consecutive year of large crops of corn and soybeans in the U.S. are still in place, even though some uncertainty about the magnitude of planted acreage will persist for a while.

The sub-loan rate prices for corn and soybeans offers little incentive for producer pricing of the new crop. However, there may be some opportunity for livestock producers to hedge feed requirements over an extended period of time. In particular, the inversion in the soybean meal market makes differed prices relatively attractive. The opposite is true for corn, with a continued large carry in the market.

Issued by Darrel Good
Extension Economist
University of Illinois

U of I Extension Newsletter Service
University of Illinois
at Urbana Champaign
1917 South Wright Street
Champaign IL 61820